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The Absa Homeowner Sentiment Index (HSI) measures sentiments of South African consumers with regard to various aspects of the residential property market. The main index and its sub-indices are derived from a quarterly survey of a representative sample of urban consumers, conducted by Columatate and based on demographic survey information. The HSI survey determines consumer sentiment regarding buying, selling, investing in, renting of and renovating property, as well as property market conditions in general.

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Homeowner Sentiment Index

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A moderate recovery in property market sentiment in Q2 2019

In the second quarter of 2019, overall sentiment regarding conditions in the South African residential property market showed a moderate recovery back to the level of the fourth quarter of 2018, after it was down in the first quarter of the year in the run-up to the general election in May and due to frequent and widespread electricity disruptions. Property market sentiment was in the second quarter also higher compared with the corresponding quarter in 2018.

Homeowner Sentiment Index (HSI) results

The overall national HSI score, which reflects the percentage of survey respondents with positive sentiment regarding residential property market conditions in the country, increased to 77% in the second quarter of 2019 from 73% in the first quarter and 73% in the second quarter of last year. The main positive and negative sentiment-related factors mentioned by survey respondents in the second quarter of the year were as follows (percentage of respondents in brackets):

Positive factors: Property is a secure asset (37%) and still increases in value (19%).

Negative factors: A poorly performing economy (29%), some ongoing political uncertainty (20%), and land expropriation without compensation (15%).

Homeowner sentiment sub-indices results

Except for the HSI sub-indices of selling and renovating property, sentiment levels in terms of the other sub-indices were all higher in the second quarter of the year compared with the first quarter. These sub-index trends serve as an indication that consumers were by mid-2019 in general slightly more positive about property market conditions and influencing factors than earlier in the year. Although consumer confidence was still low in the second quarter, it was, as in the case of property market sentiment, slightly higher compared with the first quarter, mainly due to the outcome of the general election in May, which was largely according to pre-election predictions and expectations.

Buying property

In the second quarter of 2019, the level of positive property-buying sentiment increased to 69% from 67% in the first quarter. The main reasons mentioned by survey respondents in the second quarter for the positive property-buying sentiment were as follows:

Property prices are relatively low and there are bargains in the market (33%).

Property still increases in value and is a good investment (27%).

Selling property

The positive sentiment towards selling property declined somewhat further to 39% in the second quarter from 40% in the first quarter and 41% in the fourth quarter of last year. Reasons for 61% of survey respondents not being positive about selling property include unfavourable price levels and subdued economic activity (mentioned by 70% of respondents). The main reasons indicated by respondents in the second quarter survey for being in favour of selling property were as follows:

Property prices are still relatively high and you may get an acceptable price when selling (37%).

Many people want to own property, which is supportive of selling (11%).

Investing in property

The level of positive sentiment regarding property as an investment improved to 82% in the second quarter of the year from 79% in the first quarter. Property investment sentiment was in the second quarter this year at its highest level since the fourth quarter of 2017. Reasons mentioned in the second quarter for being in favour of property investment were as follows:

Property remains a good investment (25%).

Property prices are relatively low and there are bargains in the market (19%).

Property still accumulates in value (14%).

There is a demand for rental property (10%).

Investment property renders a good return (10%).

Renovating property

In the second quarter, a total of 75% of survey respondents were positive regarding renovating property, compared with 77% in the first quarter. The main reasons in favour of renovating property were as follows in the second quarter:

Renovation increases the value of a property (32%).

Constant upgrading of a property is important, especially if wanting to sell (14%).

It is currently a good time to renovate property (12%).

Buying rather than renting property

Positive sentiment regarding buying rather than renting property increased from 68% in the first quarter of the year to 73% in the second quarter. The key reasons mentioned in favour of buying rather than renting property were as follows in the second quarter:

It is better to buy and pay off your own mortgage bond than rent and pay someone else's bond (28%).

Property prices are relatively low and there are bargains in the market (24%).

Property still increases in value and is a good investment (22%).

Property market sentiment at a provincial level

A total of 81% of the HSI survey respondents resided in Gauteng (48%), the Western Cape (18%) and KwaZulu-Natal (15%) in the second quarter of 2019. The remaining 19% of respondents resided in the other six provinces, with the individual sample sizes of these provinces regarded as too small for separate reporting purposes. The overall positive HSI score in each of the above-mentioned three provinces was as follows in the second quarter of the year:

Gauteng: 81%, up from 76% in the first quarter.

Western Cape: 75%, up from 70% in the first quarter.

KwaZulu-Natal: 70%, up from 66% in the first quarter.

In the second quarter, a total of 61% of the HSI survey respondents resided in the various inland provinces of the country, with 39% that resided in the coastal provinces.

Property market sentiment improved over a wide front at a regional level in the second quarter, with detailed survey results regarding the various HSI sub-indices for the combined inland and coastal provinces, as well as for Gauteng, the Western Cape and KwaZulu-Natal specifically, presented in the relevant tables below.

Conclusion and outlook

Although still affected by the factors of tough economic conditions, consumer financial strain, some ongoing political and policy uncertainty, as well as the aspect of land reform, consumer confidence and property market sentiment improved somewhat in the second quarter of 2019 from the first quarter. This came against the background of the outcome of the general election in May this year, which was broadly in line with pre-election predictions and expectations.

The outlook is for economic growth to remain very low at less than 1% in 2019, which to some extent will be the result of a marked contraction in activity levels in some key sectors of the economy in the first quarter of the year from the preceding quarter. Inflation is expected to stay around the mid-point level of 4,5% of the inflation target range of 3%-6%, with interest rates forecast to be slightly lower in the second half of the year on the back of inflation projected to remain under control and economic activity set to be largely subdued.

The above-mentioned factors will continue to drive property market sentiment in the rest of the year, which will be reflected in levels of market activity, buying patterns, transaction volumes, property price growth and the demand for and growth in mortgage finance.

Absa Homeowner Sentiment Index

% of respondents nationally with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2016	60%	38%	77%	72%	67%	73%
Q2 2016	64%	39%	79%	79%	67%	78%
Q3 2016	72%	46%	85%	79%	75%	83%
Q4 2016	71%	48%	83%	76%	73%	81%
Q1 2017	60%	42%	77%	77%	66%	75%
Q2 2017	64%	34%	78%	75%	68%	74%
Q3 2017	68%	37%	82%	79%	74%	81%
Q4 2017	70%	41%	83%	79%	74%	82%
Q1 2018	70%	46%	81%	79%	73%	75%
Q2 2018	61%	43%	77%	74%	68%	73%
Q3 2018	57%	37%	75%	72%	67%	72%
Q4 2018	72%	41%	80%	78%	72%	77%
Q1 2019	67%	40%	79%	77%	68%	73%
Q2 2019	69%	39%	82%	75%	73%	77%

Absa Homeowner Sentiment Index: Inland and coastal provinces

% of respondents with positive sentiment by sub-index

Sub-indices	Q2 2018		Q3 2018		Q4 2018		Q1 2019		Q2 2019	
	Inland	Coastal								
Buying property	61%	61%	58%	56%	74%	68%	68%	66%	69%	69%
Selling property	42%	45%	36%	38%	41%	59%	38%	42%	38%	41%
Investing in property	77%	77%	78%	72%	83%	77%	80%	77%	84%	79%
Renovating property	74%	74%	71%	72%	79%	76%	79%	73%	77%	72%
Buy rather than rent	69%	67%	70%	63%	75%	69%	70%	66%	75%	70%
Overall sentiment	76%	69%	76%	67%	80%	72%	76%	68%	79%	72%

Inland provinces: Free State, Gauteng, Limpopo, Mpumalanga, North West, Northern Cape

Coastal provinces: Eastern Cape, KwaZulu-Natal, Western Cape

Absa Homeowner Sentiment Index: Gauteng

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	64%	40%	78%	78%	68%	75%
Q2 2017	66%	35%	81%	74%	66%	77%
Q3 2017	69%	35%	85%	78%	76%	84%
Q4 2017	69%	39%	85%	80%	73%	82%
Q1 2018	69%	44%	84%	80%	74%	76%
Q2 2018	62%	42%	77%	75%	69%	75%
Q3 2018	58%	34%	79%	72%	72%	77%
Q4 2018	74%	41%	85%	80%	75%	82%
Q1 2019	67%	37%	81%	79%	69%	76%
Q2 2019	69%	36%	84%	77%	75%	81%

Absa Homeowner Sentiment Index: Western Cape

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	53%	38%	69%	69%	64%	71%
Q2 2017	61%	33%	70%	75%	69%	67%
Q3 2017	69%	41%	77%	77%	75%	79%
Q4 2017	69%	46%	73%	78%	78%	80%
Q1 2018	71%	53%	71%	77%	71%	69%
Q2 2018	62%	46%	76%	76%	66%	71%
Q3 2018	59%	40%	71%	71%	67%	70%
Q4 2018	70%	44%	76%	73%	65%	74%
Q1 2019	73%	48%	77%	73%	68%	70%
Q2 2019	69%	45%	79%	69%	72%	75%

Absa Homeowner Sentiment Index: KwaZulu-Natal

% of respondents with positive sentiment by sub-index

Period	Buying property	Selling property	Investing in property	Renovating property	Buy rather than rent	Overall sentiment
Q1 2017	56%	40%	74%	77%	60%	67%
Q2 2017	61%	29%	77%	75%	64%	72%
Q3 2017	65%	39%	81%	79%	73%	77%
Q4 2017	65%	35%	87%	71%	68%	79%
Q1 2018	65%	44%	79%	78%	69%	72%
Q2 2018	56%	56%	77%	69%	66%	65%
Q3 2018	55%	31%	73%	75%	65%	65%
Q4 2018	68%	35%	77%	78%	75%	72%
Q1 2019	62%	36%	78%	72%	67%	66%
Q2 2019	72%	39%	81%	81%	68%	70%

